

Highlights semi-annual figures 2010

HITT records EUR 0.5 million profit and strong order intake in 2010H1

- Large order intake with a contract value of EUR 31.6 million in 2010H1
- Revenue with EUR 16.3 million on same level as in 2009, but steadily increasing
- Cost level 12% lower than in 2009H1
- Net profit of EUR 0.5 million (2009H1: EUR 0.9 million loss)
- Negative cash flow due to considerable prefinancing of major projects in Turkey and India
- Relatively more long-term contracts included in the order backlog, which amounts to EUR 43.1 million per June 30, 2010

Key figures of the first half year:

	Six months period ended		<i>difference</i>
	30-06-2010	30-06-2009	
x EUR 1,000; except per share data and headcount			
Revenue	16,284	16,419	-135
Operating costs	-15,542	-17,724	2,182
Profit (loss)	492	-898	1,390
Free cash flow *	-4,177	-2,602	-1,576
Solvency	62%	62%	
Order intake	31,638	15,153	16,485
Average number of employees	160	170	-10
Earnings per ordinary share	0.12	-0.19	0.31

* Cash flow from operating and investing activities

General developments

In the first half of 2010 HITT recorded revenues of EUR 16.3 million (2009H1: EUR 16.4 million), and a net profit of EUR 0.5 million (2009H1: EUR 0.9 million loss). The order backlog increased to EUR 43.1 million due to a large order intake in 2010H1 with a contract value of EUR 31.6 million.

Both revenue and added value (being revenue minus cost of materials and subcontracting) are almost at a similar level as in 2009H1, although realized with less staff. Especially in the Traffic segment HITT was able to start up several projects in the first half year. HITT reaps the benefits of the efforts and resources invested in sales combined with signs of economic recovery. Significant intake was realized in the Marine market (Noordzeekanaal, Den Helder, Antwerp and Ghent). First signs of improvement are noticeable in the Aviation market as well. HITT recently secured orders in this market (Cairo, Chengdu).

In the first months of the year HITT's results were influenced by low margin projects in India, Turkey and China. These projects require significant capacity without according earnings contribution, and therefore hold back a fast profit increase. Nevertheless, some of these projects are in the final stage as a result of which these effects are expected to diminish. Several new projects with better earnings potential were secured.

The projects in India still require significant attention and efforts. New agreements with customers and partners are speeding up the process and further progress towards completion is made. A breakthrough in the Gulf of Kachchh-project in India, which has had delays since 2006, is the first towers having been built and supplied with HITT's equipment. This required significant prefinancing. Similar prefinancing requirements are applicable to the airports project in Turkey. Completion of work in Turkey is expected in the third quarter of 2010, which should result in significant cash inflows.

The port management systems business shows a satisfactory revenue and profit increase. In the first half of 2010, the port management systems for Fremantle and Port Everglades went live. In June, HITT was awarded a new contract from the Port of Los Angeles, the largest port in North America. HITT is committed to continue to grow in its port installed base and services to the ports. In the first half a tightly integrated management information system for the vessel traffic management business was developed, adding a key competitive product to the product line.

The Hydrography and Navigation segment benefitted from a slight improvement of the activities in Asia and signs of a worldwide improvement in the offshore industry. Sales of navigation hardware are still slow, and waiting for the introduction of the second generation portable pilot units now being developed to be completed in the fourth quarter.

HITT focuses on realizing more long-term relationships and increasing its installed base of customers. The after-sales and customer support on completed projects worldwide showed a healthy growth in 2010.

Headcount decreased to 158 employees per the 30th of June (end of 2009: 161) as part of our effort to increase added value with reduced cost.

Outlook

Taken into account the large recorded intake in the first half year, the Management Board of HITT is moderately positive about a further profit growth. For realizing new intake HITT depends on further improvement of worldwide economic circumstances, which is still premature in the Aviation sector.

Financial developments

Notes to the statement of income

In the first half year of 2010 revenue was almost at a similar level as the year before: EUR 16.3 million versus EUR 16.4 million in 2009H1. The purchased goods for projects decreased from EUR 7.5 million in 2009H1 to EUR 7.2 million in 2010H1, resulting in an increase of added value to EUR 9.0 million (2009H1: 8.9 million) in line with expectations. HITT still experienced the effects of difficult market conditions in the first months of 2010 and started the year with relatively low added value.

Employee benefits expense decreased with 13.6% to EUR 6.4 million (2009H1: EUR 7.4 million) following the reorganization in 2009 with staff reductions in the Apeldoorn office. The first half year of 2009 included reorganization costs of EUR 0.6 million.

The amount invested in (capitalized) development increased with EUR 0.2 million to EUR 1.1 million in 2010H1. Part of the development costs were expensed in 2009 in order not to exceed the estimated recoverable amounts, whereas in 2010 the market circumstances (and estimates of recoverable amounts of products) improved so less costs were expensed.

Depreciation and amortization expense decreased with EUR 0.2 million to EUR 0.9 million in 2010H1. The amortization expense of 2009H1 included an impairment of EUR 0.2 million. Moreover the first months of 2010 were slow with regard to new orders and start of projects, resulting in lower amortization of products.

Other expense decreased with 18.4% to EUR 2.0 million (2009H1: EUR 2.5 million). This is a result of a combination of cost savings programs, lower guarantee costs and lower selling expense.

Profit before tax amounts to EUR 0.7 million (2009H1: EUR 1.3 million loss), and the net profit amounts to EUR 0.5 million (2009H1: EUR 0.9 million loss). Accordingly the earnings per share increased from EUR 0.19 loss in 2009H1 to EUR 0.12 profit in 2010H1.

Notes to the statement of financial position

Goodwill increased with EUR 0.2 million mainly as a result of foreign exchange effects. These correspond with the weakening of the euro in 2010H1. The capitalized development cost increased with EUR 0.4 million to EUR 5.3 million due to before mentioned reasons in combination with translation differences of capitalized development costs in Canada.

Trade and other receivables increased with EUR 4.9 million to EUR 17.2 million, including amounts due from customers for contract work which increased with EUR 3.4 million to EUR 10.4 million. To a large extent this increase is the result of progress on projects taken onboard in previous years with slow payment schemes like the India and Turkey projects. The prefinancing level of these projects seems to be on its peak. Trade and other payables have not changed much: EUR 6.8 million versus EUR 6.7 million in 2009. Net working capital increased with EUR 5.1 million.

Current tax assets decreased from EUR 0.7 million to EUR 0.1 million due to repayment of income tax paid in 2009.

Notes to the statement of cash flows

The cash flow from operating activities decreased to EUR 3.0 million outflow (2009H1: EUR 1.6 million outflow), caused by the increase of working capital taken by aforementioned projects.

The cash outflow for investing activities amounted to EUR 1.1 million (2009H1: EUR 1.0 million), mainly related to the increase in product development. The cash outflow for

financing activities was equal to 2009H1 with EUR 0.6 million. This mainly concerns the dividend payment, which was equal to last year's payment. On balance cash decreased with EUR 4.8 million to EUR 1.3 million per June 30th of 2010.

Related party transactions

Major related party transactions are disclosed in note 13 to the interim financial statements.

Auditors' involvement

The financial statements in this semi-annual report have not been audited or reviewed by our auditor.

Risk profile

In our Annual Report 2009 we have extensively described certain risk categories and risk profiles which could have an impact on our financial position and results. In our view, the nature and potential impact of the risks was and will not be materially different for the second half of 2010.

Profile HITT

HITT is a leading player in the worldwide markets for traffic management and navigation systems. The company develops technology aimed at safety enhancement and traffic flow improvement, whilst also enabling significant cost reductions in infrastructure and logistics. The core activities of HITT consist of developing and selling management & control systems and services for air and vessel traffic and hydro-graphic and navigation systems. In 2009 HITT achieved a revenue of EUR 32 million and a net profit of EUR 0.3 million. The number of staff at year-end 2009 was 161. HITT has been listed on Euronext Amsterdam NV since June 1998.

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Consolidated statement of income

for the period ended June 30

		Six months period ended	
		30-06-2010	30-06-2009
x EUR 1,000; except per share data			
Continuing operations			
Revenue	4	16,284	16,419
Cost of materials and subcontracting		-7,239	-7,490
Employee benefits expense	6	-6,388	-7,390
Product development	5	1,051	809
Depreciation and amortization expense		-937	-1,166
Other expense		-2,029	-2,487
		<u>-15,542</u>	<u>-17,724</u>
Operating profit (loss)		741	-1,305
Finance costs and income		1	55
Profit (loss) before tax		<u>742</u>	<u>-1,250</u>
Income tax expense		-185	337
Profit (loss) from continuing operations		<u>557</u>	<u>-913</u>
Discontinued operations			
Profit (loss) from discontinued operations	7	-65	15
Profit (loss)		<u>492</u>	<u>-898</u>
Attributable to:			
Owners of the parent		546	-898
Non-controlling interests		-54	0
		<u>492</u>	<u>-898</u>
Earnings per share			
From continuing and discontinued operations:			
Basic	8	0.12	-0.19
Diluted		0.12	-0.19
From continuing operations:			
Basic		0.13	-0.19
Diluted		0.13	-0.19

Consolidated statement of financial position

at June 30

	30-06-2010	31-12-2009
x EUR 1,000		
ASSETS		
Non-current assets		
Property, plant and equipment	564	627
Goodwill	1,327	1,141
Development costs	5,266	4,898
Deferred tax assets	273	198
	<u>7,429</u>	<u>6,864</u>
Current assets		
Inventories	200	246
Trade and other receivables	17,200	12,335
Current tax assets	53	684
Cash and cash equivalents	1,304	6,661
	<u>18,757</u>	<u>19,926</u>
	<u>26,187</u>	<u>26,790</u>
EQUITY AND LIABILITIES		
Equity		
Attributable to owners of the parent	9	16,235
Non-controlling interests		129
		<u>16,316</u>
Non-current liabilities		
Retirement benefit obligation	1,294	1,294
Deferred tax liabilities	748	875
Obligations under finance leases	35	47
	<u>2,077</u>	<u>2,216</u>
Current liabilities		
Trade and other payables	6,757	6,724
Current tax liabilities	714	699
Provisions	295	525
Derivative financial instruments (cr)	28	19
	<u>7,794</u>	<u>7,967</u>
	<u>26,187</u>	<u>26,790</u>

Consolidated statement of cash flows

For the period ended June 30

	Six months period ended	
	30-06-2010	30-06-2009
x EUR 1,000		
Cash flow from operating activities		
Operating profit (loss)	741	-1,305
Adjustments for:		
Movement of working capital	-5,098	-1,712
Movement of provisions	-240	507
Depreciation property, plant and equipment	170	167
Amortization development costs	766	797
Impairment development costs	-	193
Cash generated from operations	-3,660	-1,353
Interest paid	-24	-19
Income tax paid	699	-275
	-2,986	-1,647
Cash flow from investing activities		
Investments in property, plant and equipment	-76	-161
Investments in product development	-1,051	-809
Disposal of property, plant and equipment	1	-
Disposal of subsidiaries	-65	15
	-1,191	-955
Cash flow from financing activities		
Dividend paid	-657	-657
Payments of financial lease liabilities	-12	-
Interest received	50	65
	-619	-592
Net in(de)crease in cash	-4,796	-3,194
Cash at start of period	6,661	8,502
Effect of foreign exchange rate changes	-561	298
Cash at end of period	1,304	5,606

This press release is based upon the semi-annual report 2010 drawn up by the management and only concern part thereof. The full semi-annual report is available on www.hitt.nl.

End of press release